

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

S

W-02062A
Southland Utilities Company, Inc.
2730 E. Broadway, Suite 135
Tucson AZ 857160000

APR 15 2005

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
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FOR COMMISSION USE

ANN04	04
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COMPANY INFORMATION

Company Name (Business Name) <u>Southland Utilities Company, Inc.</u>			
Mailing Address <u>2730 E. Broadway, Suite #135</u>			
(Street)			
<u>Tucson</u>	<u>Arizona</u>	<u>85716</u>	
(City)	(State)	(Zip)	
<u>(520) 327-6000</u>	<u>(520) 327-6184</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>N/A</u>			
Local Office Mailing Address <u>4148 Golden Acres Drive</u>			
(Street)			
<u>Sierra Vista</u>	<u>Arizona</u>	<u>85650</u>	
(City)	(State)	(Zip)	
<u>(520) 378-6200</u>	<u>(520) 378-2085</u>	<u>N/A</u>	
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>N/A</u>			

MANAGEMENT INFORMATION

Management Contact: <u>Andrew L. Romo</u>			
(Name)		(Title)	
<u>2730 E. Broadway, Suite #135</u>	<u>Tucson</u>	<u>Arizona</u>	<u>85716</u>
(Street)	(City)	(State)	(Zip)
<u>(520) 327-6000</u>	<u>(520) 327-6184</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>N/A</u>			
On Site Manager: <u>F. G. Heeren</u>			
(Name)			
<u>4148 Golden Acres Drive</u>	<u>Sierra Vista</u>	<u>Arizona</u>	<u>85650</u>
(Street)	(City)	(State)	(Zip)
<u>(520) 378-6200</u>	<u>(520) 378-2085</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>N/A</u>			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: Sidney Mendelsohn, Jr.
(Name)

6301 N. Dundedin Place Tucson Arizona 85718
(Street) (City) (State) (Zip)

(520)325-7500 (520)323-6614 N/A
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: John O'Hare
(Name)

3865 N. Tucson Blvd. Tucson Arizona 85716
(Street) (City) (State) (Zip)

(520)881-2308 N/A N/A
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|---|-----------------------------------|
| <input type="checkbox"/> APACHE | <input checked="" type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME

Southland Utilities Company, Inc.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	N/A	N/A	N/A
302	Franchises	N/A	N/A	N/A
303	Land and Land Rights	1,070	N/A	1,070
304	Structures and Improvements	21,549	19,740	1,809
307	Wells and Springs	19,514	19,521	(7)
311	Pumping Equipment	71,133	(18,123)	89,256
320	Water Treatment Equipment	N/A	N/A	N/A
330	Distribution Reservoirs and Standpipes	48,806	41,167	7,639
331	Transmission and Distribution Mains	202,073	173,074	28,999
333	Services	41,070	41,068	2
334	Meters and Meter Installations	53,664	11,161	42,503
335	Hydrants	N/A	N/A	N/A
336	Backflow Prevention Devices	N/A	N/A	N/A
339	Other Plant and Misc. Equipment	N/A	N/A	N/A
340	Office Furniture and Equipment	2,494	379	2,115
341	Transportation Equipment	N/A	N/A	N/A
343	Tools, Shop and Garage Equipment	N/A	N/A	N/A
344	Laboratory Equipment	N/A	N/A	N/A
345	Power Operated Equipment	N/A	N/A	N/A
346	Communication Equipment	N/A	N/A	N/A
347	Miscellaneous Equipment	1,850	537	1,313
348	Other Tangible Plant	N/A	N/A	N/A
	TOTALS	463,223	288,524	174,699

This amount goes on the Balance Sheet Acct. No. 108 

See Accountants' Compilation Report

COMPANY NAME Southland Utilities Company, Inc.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	N/A	N/A	N/A
302	Franchises	N/A	N/A	N/A
303	Land and Land Rights	1,070	5%	N/A
304	Structures and Improvements	21,549	5%	68
307	Wells and Springs	19,514	5%	-0-
311	Pumping Equipment	71,133	5%	1,982
320	Water Treatment Equipment	N/A	N/A	N/A
330	Distribution Reservoirs and Standpipes	48,806	5%	1,389
331	Transmission and Distribution Mains	202,073	5%	2,718
333	Services	41,070	5%	-0-
334	Meters and Meter Installations	53,664	5%	2,643
335	Hydrants	N/A	N/A	N/A
336	Backflow Prevention Devices	N/A	N/A	N/A
339	Other Plant and Misc. Equipment	N/A	N/A	N/A
340	Office Furniture and Equipment	2,494	5%	122
341	Transportation Equipment	N/A	N/A	N/A
343	Tools, Shop and Garage Equipment	N/A	N/A	N/A
344	Laboratory Equipment	N/A	N/A	N/A
345	Power Operated Equipment	N/A	N/A	N/A
346	Communication Equipment	N/A	N/A	N/A
347	Miscellaneous Equipment	1,850	5%	93
348	Other Tangible Plant	N/A	N/A	N/A
	TOTALS	463,223		9,015

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

*Less Amortization of Contributions in Aid of Construction (495)
Construction Net Depreciation Expense. 8,520

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 15,451	\$ 17,833
134	Working Funds	0	0
135	Temporary Cash Investments	9,123	2,147
141	Customer Accounts Receivable	9,292	10,176
146	Notes/Receivables from Associated Companies	79,168	74,878
151	Plant Material and Supplies	834	1,846
162	Prepayments	569	974
174	Miscellaneous Current and Accrued Assets	11,622	11,822
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 126,059	\$ 119,676
	FIXED ASSETS		
101	Utility Plant in Service	\$ 457,461	\$ 463,223
103	Property Held for Future Use	0	0
105	Construction Work in Progress	0	0
108	Accumulated Depreciation – Utility Plant	(299,467)	(288,524)
121	Non-Utility Property	0	0
122	Accumulated Depreciation – Non Utility	0	0
	TOTAL FIXED ASSETS	\$ 157,994	\$ 174,699
	TOTAL ASSETS	\$ 284,053	\$ 294,375

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 6,300	\$ 1,586
232	Notes Payable (Current Portion)	0	0
234	Notes/Accounts Payable to Associated Companies	0	0
235	Customer Deposits	1,510	1,234
236	Accrued Taxes	4,966	5,170
237	Accrued Interest	0	0
241	Miscellaneous Current and Accrued Liabilities	12,651	11,613
	TOTAL CURRENT LIABILITIES	\$ 25,427	\$ 19,603
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 0	\$ 0
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$ 0	\$ 0
252	Advances in Aid of Construction	7,926	3,382
255	Accumulated Deferred Investment Tax Credits	16	8
271	Contributions in Aid of Construction	101,400	105,798
272	Less: Amortization of Contributions	(96,665)	(97,160)
281	Accumulated Deferred Income Tax	10,185	15,273
	TOTAL DEFERRED CREDITS	\$ 22,862	\$ 27,301
	TOTAL LIABILITIES	\$ 48,289	\$ 46,904
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 6,000	\$ 6,000
211	Paid in Capital in Excess of Par Value	135,692	135,692
215	Retained Earnings	94,072	105,779
218	Proprietary Capital (Sole Props and Partnerships)	N/A	N/A
	TOTAL CAPITAL	\$ 235,764	\$ 247,471
	TOTAL LIABILITIES AND CAPITAL	\$ 284,053	\$ 294,375

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 124,684	\$ 127,011
460	Unmetered Water Revenue	0	0
474	Other Water Revenues	3,997	4,659
	TOTAL REVENUES	\$ 128,681	\$ 131,670
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 0	\$ 0
610	Purchased Water	0	0
615	Purchased Power	23,687	27,162
618	Chemicals		
620	Repairs and Maintenance	5,188	12,663
621	Office Supplies and Expense	6,070	6,924
630	Outside Services	45,100	36,790
635	Water Testing	6,828	4,258
641	Rents	0	0
650	Transportation Expenses	0	0
657	Insurance – General Liability	1,211	1,165
659	Insurance - Health and Life	0	0
666	Regulatory Commission Expense – Rate Case	0	0
675	Miscellaneous Expense	5,500	10,433
403	Depreciation Expense	5,258	8,520
408	Taxes Other Than Income	45	45
408.11	Property Taxes	8,273	9,053
409	Income Tax	4,166	5,850
	TOTAL OPERATING EXPENSES	\$ 111,326	\$ 122,863
	OPERATING INCOME/(LOSS)	\$ 17,355	\$ 8,807
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 3,649	\$ 2,982
421	Non-Utility Income	8	8
426	Miscellaneous Non-Utility Expenses	(6,760)	0
427	Interest Expense	(123)	(90)
	TOTAL OTHER INCOME/(EXPENSE)	\$ (3,226)	\$ 2,900
	NET INCOME/(LOSS)	\$ 14,129	\$ 11,707

COMPANY NAME	Southland Utilities Company, Inc.
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SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	N/A	N/A	N/A	N/A
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End	<u>\$ 11,613</u>
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Meter Deposits Refunded During the Test Year	<u>\$ 2,289</u>
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COMPANY NAME	Southland Utilities Company, Inc.
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WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
626,149	52	200	600	12"	4"	1967
626,150	60	200	600	14"-12"-10"	6"	1968

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
40	1	6	N/A
5	1		
10	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
25,000	1	10,000	1
62,000	1	5,000	1

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS		
Size (in inches)	Material	Length (in feet)
2	Steel	1,000
3		N/A
4	AC	18,122
5		N/A
6	AC	28,260
8		N/A
10		N/A
12		N/A
6	PVC	2,711

CUSTOMER METERS	
Size (in inches)	Quantity
5/8 X 3/4	531
3/4	N/A
1	N/A
1 1/2	N/A
2	2
Comp. 3	N/A
Turbo 3	1
Comp. 4	N/A
Tubo 4	1
Comp. 6	N/A
Tubo 6	N/A

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

Office Trailer

OTHER:

Office furniture and equipment.

COMPANY NAME: Southland Utilities Company, Inc.

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2004

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	534	2,759,757	3,723
FEBRUARY	537	2,873,227	3,056
MARCH	535	3,438,097	3,841
APRIL	537	3,511,497	4,013
MAY	539	4,439,680	5,457
JUNE	543	5,486,708	5,864
JULY	542	4,537,941	2,467
AUGUST	544	3,275,923	9,878
SEPTEMBER	549	4,196,579	4,404
OCTOBER	543	3,634,289	4,154
NOVEMBER	542	3,410,772	3,361
DECEMBER	536	2,441,121	3,211
TOTAL		N/A	53,429

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☐ Yes ☒ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☐ Yes ☒ No

If yes, provide the GPCPD amount: _____

What is the level of arsenic for each well on your system. Not required mg/l
(If more than one well, please list each separately.) yet

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Southland Utilities Company, Inc. YEAR ENDING 12/31/2004

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2004 was: \$ 8,663.26

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

SOUTHLAND UTILITIES COMPANY, INC.

PHONE 520-378-8200
4148 GOLDEN ACRES DR.
SIERRA VISTA, AZ 85850

5219

01-101/1221

Date April 15, 2004



Pay to the
Order of

Marsha Bonham Cochise County Treasurer

\$ 4,042.52****

THE SUM 4042 DOLS 52 CTS

Dollars



Security
Features
Details on
Back

ARIZONA BANK
TUCSON, AZ 85704

03
For 924-56-870

Andrew L. Rono

MP

005219 122101010

0065001891

0000404252

0130111830
04212004 062001186

BANK ONE NA
1119013314
04202004
5440846671

21337294 122100024
PAY TO THE ORDER OF

SOUTHLAND UTILITIES COMPANY, INC.

PHONE 520-378-6200
4148 GOLDEN ACRES DR.
SIERRA VISTA, AZ 85650

5220

91-101/1221

Date April 15, 2004



Pay to the
Order of

Marsha Bonham Cochise County Treasurer

\$ 94.02*****

THE SUM 94 DOLS 02 CTS

Dollars



Security
Features
Details on
Back

ARIZONA BANK
TUCSON, AZ 85704

For

03- 9000056-012

Andrew L. Romo

⑈005220⑈ ⑆122101010⑆

0065001891⑈

⑈0000009402⑈

8138111831
84212884 862881186

21337294 122100024
PAY TO THE ORDER OF
019 BANK ONE 019

042004

FOR DEPOSIT ONLY
MARSHA BONHAM TREASURER
TAX COLLECTOR - COCHISE CNTY

BANK ONE, NA
⑈111901331⑈
042004

5440846572

6095

TUOSON AZ 8571B

520-227-6000

DATE October 13 2004

91-574/122

PAY
TO THE
ORDER OF

Marsha Bonham Cochise County Treasurer

\$ 4,429.53****

THE SUM 4429 DOLS 53 CTS

DOLLARS 

Compass Bank

Tucson, Arizona

POB

924-56-870

Andrew L. Pomeroy

006095 1:122105744: 0065001891

2000442953

02-001 02-001

10282804 002001 00

2133729 12210082

PAY TO THE ORDER OF

019 BANK ONE 019

10 27 40

FOR DEPOSIT ONLY

MARSHA DONALD TEARD

TAX COLLECTOR COCHISE CO.

THE END

[illegible]

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SOUTHLAND UTILITIES CO INC

2730 E BROADWAY BLVD STE 135
TUCSON, AZ 85716
520-327-6000

6104

DATE October 13, 2004

91-574/122.1
116

PAY TO THE ORDER OF Marsha Bonham Cochise County Treasurer

\$ 97.19*****

THE SUM 97 DOLS I 9 CTS

DOLLARS



Compass Bank

Tucson, Arizona

FOR

9000056-012

04

Andrew L. Romo

⑈006104⑈ ⑆122109744⑆ 0065001891⑈

⑈0000009719⑈

8248187655
18282884 062881186

21337204 129100824
PAY TO THE ORDER OF
019 BANK ONE

10 27 02

FOR DEPOSIT ONLY
MARSHA BONHAM TREASURER
TAX COLLECTOR - COCHISE COUNTY

BANK ONE, NA
⑈1119013314⑈
10272004

5340343680

COMPANY NAME Southland Utilities Company, Inc.

YEAR ENDING 12/31/2004

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	0
Estimated or Actual Federal Tax Liability	0

Estimated or Actual Federal Tax Liability	0
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State Taxable Income Reported 16

Estimated or Actual State Tax Liability	50
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Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____

Amount of Gross-Up Tax Collected

Total Grossed-Up Contributions/Advances

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Andrew L. Kuro

SIGNATURE

04.15.05

DATE _____

Andrew L. Romo

PRINTED NAME _____

President

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

APR 15 2005

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)
<u>Pima</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>Andrew L. Romo, President</u>
COMPANY NAME
<u>Southland Utilities Company, Inc.</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2004</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 135,126

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 8,115
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

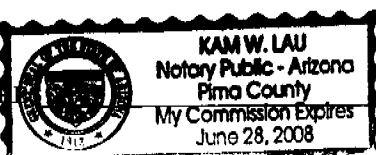
15th

DAY OF

COUNTY NAME	<u>Pima</u>	
MONTH	<u>April</u>	<u>2005</u>

(SEAL)

MY COMMISSION EXPIRES



SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

Andrew L. Romo

SIGNATURE OF NOTARY PUBLIC

KAM W. LAU

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

APR 15 2005

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Andrew L. Romo	TITLE President
COMPANY NAME Southland Utilities Company, Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 116,248

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 6,981
IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**

Andrew L. Romo

SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

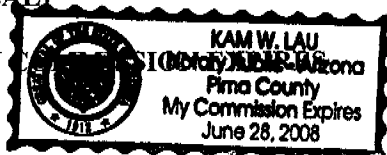
15th

DAY OF

NOTARY PUBLIC NAME Kam W. Lau	
COUNTY NAME Pima	
MONTH April	2005

(SEAL)

MY



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Kam W. Lau

SIGNATURE OF NOTARY PUBLIC

Financial Statements

Southland Utilities Company, Inc.

December 31, 2004



REIDY & SHEEHAN P.C.

ACCOUNTING

TAXATION

BUSINESS

VALUATION

& CONSULTING

LITIGATION

SERVICES

**Southland Utilities Company
Tucson, Arizona**

We have compiled the accompanying balance sheet of Southland Utilities Company as of December 31, 2004 and the related statement of income and retained earnings and the statement of cash flows for the twelve months then ended in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the informative disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

April 14, 2005

Southland Utilities Company

Balance Sheet

December 31, 2004

(See Accountants' Compilation Report)

Assets

Current assets:

Cash in bank	\$ 19,982
Accounts receivable-customers	10,176
Other receivable	769
Interco. rec.-Sth. San.	30,678
Note receivable-Sth. San.	44,200
Prepaid insurance	104
Prepaid income taxes	870
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Total current assets 106,779

Property and equipment:

Plant materials and supplies	1,846
Land & land rights	1,070
Structures and improvements	21,549
Wells and springs	19,514
Electric pumping equip	71,133
Distribution res. & standpipe	48,806
Transmission & distrib. mains	202,072
Services	41,070
Meters	53,664
Office furniture & equip.	2,494
Miscellaneous equip.	1,850
Accumulated depreciation	(288,524)
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Net property and equipment 176,544

Other assets:

Deposits	634
Investment in elec. coop	9,982
Deferred income taxes	436
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Total other assets 11,052

\$ 294,375

Liabilities and stockholders' equity

Current liabilities:

Accounts payable	\$ 1,586
Customer deposits	1,234
Accrued taxes	<u>5,170</u>

Total current liabilities	7,990
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Long-term liabilities:

Advances-Aid in Construction	3,382
Refundable meter fees	11,613
Accum. def ITC-net	8
Contributions in aid of construction (net)	8,638
Deferred income tax payable	<u>15,273</u>

Total long-term liabilities	<u>38,914</u>
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Total liabilities	<u>46,904</u>
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Stockholders' equity:

Common stock issued	6,000
Other paid in capital	135,692
Retained earnings	<u>105,779</u>

Total stockholders' equity	<u>247,471</u>
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Total liabilities and stockholders' equity	<u><u>\$ 294,375</u></u>
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Southland Utilities Company

Statement of Income and Retained Earnings

For the twelve months ended December 31, 2004

(See Accountants' Compilation Report)

	<u>Year-to-Date</u>	<u>%</u>
Income:		
Metered sales to customers	\$ 127,011	97.6
Other revenues	3,159	2.4
Rent-Southland Sanitation	<u>1,500</u>	<u>1.2</u>
Total income	<u>131,670</u>	<u>101.2</u>
Operating Expenses:		
Power purchased for pumping	27,162	20.9
Water testing	4,258	3.3
Materials and supplies	11,293	8.7
Maintenance-labor	1,370	1.1
Accounting	3,460	2.7
Bookkeeping	4,100	3.1
Office labor	22,220	17.1
Certified operator	7,010	5.4
Depreciation	8,520	6.5
Insurance	581	0.4
Bad debt expense	510	0.4
Miscellaneous	9,920	7.6
Taxes-other	45	0.0
Taxes-property	9,053	7.0
Penalties	3	0.0
Office expense	5,113	3.9
Telephone	1,814	1.4
Workers comp insurance	<u>581</u>	<u>0.4</u>
Total operating expense	<u>117,013</u>	<u>89.9</u>
Total operating income	14,657	11.3
Other income (expense):		
Interest income	2,244	1.7
Dividend income-patronage	738	0.6
ITC restored to non-oper inc.	8	0.0
Interest expense	<u>(90)</u>	<u>(0.1)</u>
Total other income (expense)	<u>2,900</u>	<u>2.2</u>
Net income before income taxes	17,557	13.5
Income tax expense:		
Current income tax expense	50	0.0
Deferred income tax benefit	<u>5,800</u>	<u>4.5</u>
Total income tax expense	<u>5,850</u>	<u>4.5</u>
Net income	11,707	9.0
Retained earnings, December 31, 2003	<u>94,072</u>	<u>72.3</u>
Retained earnings, December 31, 2004	<u>\$ 105,779</u>	<u>81.3</u>

Southland Utilities Company

Statement of Cash Flows

For the twelve months ended December 31, 2004

(See Accountants' Compilation Report)

Cash flows from operating activities:	
Net income	\$ 11,707
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Noncash items included in net income:	
Net depreciation and amortization	8,520
Deferred tax	5,800
Accum. deferred ITC	(8)
Patronage dividend-coop	(738)
(Increase) decrease in assets:	
Accounts receivable	(884)
Prepaid expense	50
Supplies	(1,012)
Intercompany receivable	4,290
Deposits	(172)
Increase (decrease) in liabilities:	
Accounts payable	(4,715)
Customer deposits..	(277)
Refundable meter fees	(714)
Other liabilities	(848)
Accrued expenses	126
Total adjustments	<u>9,418</u>
Net cash provided by (used in) operating activities	<u>21,125</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(25,719)</u>
Net cash provided by (used in) investing activities	<u>(24,513)</u>
Net increase (decrease) in cash and cash equivalents	(4,594)
Cash and cash equivalents at beginning of period	<u>24,574</u>
Cash and cash equivalents at end of period	<u>\$ 19,980</u>
Supplemental cash flow information:	
Cash paid during the year for interest	<u>\$ 90</u>
Cash paid during the year for income taxes	<u>\$ 1,010</u>